

Springerville Town Council
Work Session Minutes
June 9, 2004
6:00 P.M.

Present: Kay Dyson Mayor, Mary Nedrow, Pete Hunt, Scott Cray and Mark Baca

Staff: Kurt Hassler Town Manager, Val Cordova Town Clerk, Steve West Police Chief, Sharon Pinckard, Jack James, Mike Nuttall, Charlotte Hicks, Albert Conchos, Kim Wise, Jody Tapia, Levi Burns, Brent Slade, Ed Shields, Debbie Gillespie, Glenda Romero, Gerard Gutierrez, Christy Awtrey, Thomas Tieman, Suzanne Ely, David Gregory, Bill White, Daniel Carthel, Bruce Kilpatrick, Tom Malone, Connie Johnson and Fabian Leyba

Public: Suzanne Simmon, Rick Goodman, Erin Silva, Lisa Leyba, Toby Leyba, Shawri Leyba, Jace Hicks, AnnMarie Pena, Robert Pena III, Kimberly Pena, Bo Burns, James E. Wise, Kamri Gutierrez, Ronda Slade, Josh Slade, Jonny Slade, Levi Slade, Chevelle White, Rebecca Malone, Geraldine Carthel and Scott Garms.

1. **CALL TO ORDER:** Mayor Dyson called the meeting to order at 6:00 p.m. She thanked Kurt for his service, and announced that there would be a party for Kurt in the last week in June. Mayor Dyson also introduced Scott Garms as the new Town Manager, and stated that he would start in July.
2. **PUBLIC PARTICIPATION:** There was no public participation.
3. **EMPLOYEE BENEFITS:** Sharon Pinckard announced that she was Chairman of the Insurance Committee and introduced the rest of the members: Tom Malone, Brent Slade, Ed Shields, David Gregory, Steve West and Val Cordova. She explained that the objective of the Committee was to learn about insurance in general, to compare rates, and to explore potential insurance plans and options, which would maximize the savings to the Town and also continue to benefit the employees. She went on to explain that insurance is a national problem and rates have risen an average of eleven percent for employers in the year 2000 and twenty-five percent in 2003. The Committee realizes that it is a tremendous increase that has been primarily passed onto the Town.

Steve West presented a comparison of rates to other like towns in our area on Power Point. A handout was given to the Council showing the comparisons. Essentially, we would need a higher deductible to lower the premiums.

Insurance brokers Erin Silva, Rick Goodman and Suzanne Simmon were introduced. Erin explained to the Council about the risks of self-insurance and self-funding. She went on to explain that the Town would have to set up a trust fund. The Town pays the cost of insurance when an employee goes to the doctor. The bill would be given to the Town and paid for by the Town. If the Town does not have that money, that becomes a big problem because the Town cannot pay the bill. Erin said, in her opinion, that self-insurance and self-funding is not the way the Town should go, because it is not financially secure for this group. She explained that municipalities are not good candidates for self-funding. Rick Goodman agreed with Erin.

Ed Shields explained that the Town would have to start off with a pool of money, and he does not think the Town can afford the initial start up costs.

Mayor Dyson asked how many people was the Town insuring, and Kurt Hassler explained that we have thirty employees eligible for insurance. We currently have twenty-nine of those thirty enrolled, because we have a husband and wife both working for the Town, so they are both covered under one policy. We have five taking employee only coverage; six taking employee and spouse coverage; four taking employee and child coverage and fourteen taking spouse and children coverage.

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Mr. Goodman suggested that if the Town chose to self-insure, that a reinsurance policy be purchased for large claims.

Mr. Hassler informed the Council that we are paying out .94 cents on the dollar for what we are paying in premiums. For every dollar sent to Cigna, .94 cents is being paid out for claims.

Sharon Pinckard discussed the option of a "Buy-Out". With this option, employees would be paid a certain dollar amount to purchase their own health insurance. Ed Shields offered a scenario to the Council, using himself as an example, if they chose this option. He explained that a one thousand dollar (\$1,000) buy-out would cost the Town one thousand two hundred dollars, (\$1,200) because of FICA taxes. The employee would end up with approximately four hundred forth dollars (\$440) of the original one thousand dollars, (\$1,000), because of FICA taxes, retirement, federal and state taxes. Suzanne Simmon handed out a list regarding certain medical conditions for which medical coverage would be declined by most insurance carriers. Mr. Hassler explained that this plan has nobody's best interests at heart. It is bad for both the Town and the employee.

Scott Cray asked about Insurance Savings Plans, which are somehow tax protected. Erin Silva called it a "Cafeteria Plan". Rick Goodman briefly explained to the Council about medical health plans, and that there are many different ways to administer these plans.

Sharon Pinckard stated that the final objective of the Committee was to look at different policies to see how we could save money, and how the employees would benefit as well.

Erin Silva then compared various insurance plans, and stated that she got fifteen different quotes from fifteen different carriers. She took two different companies that she felt comfortable with, as far as coverage and as far as different ratings. The premiums are lower than what the CIGNA rate is. She also stated that the Town should have "full disclosure" with the health history when the Town does the application for a new contract. By doing so, the rates will not vary. However, if you do not have full disclosure when you have the initial application, the health history will come up, and the rates will change.

Mayor Dyson asked if CIGNA was any good. AnnMarie Pena said she was extremely happy with CIGNA. Kurt Hassler stated that everyone was pretty much happy with their coverage, and there has never been any major concerns.

Suzanne Simmon also compared various insurance plans and companies. She also compared Health Savings Accounts (HAS). She stated that whatever company we went with would administer the account, not the Town.

Mayor Dyson asked how much the insurance with the State of Arizona would cost. Sharon Pinckard gave the Council a handout with insurance comparisons proposals, include CIGNA. The State is not going to insure with CIGNA next year. Sharon informed the Council that by staying with the State of Arizona, the Town could save approximately forty-three thousand dollars (\$43,000).

Councilman Cray asked Ms. Pinckard if there was anyone on the Committee that would not be a direct beneficiary of whatever plan the Committee came up with? Mr. Hassler stated that there were none at this time. He also stated that he set up the Committee with employees because he knew they could meet quicker and get more information gathered. That is the purpose of this meeting, to gather the information and present it to the Council. The next step is to narrow the information down, and start looking at 1, 2, or 3 plans, and coming up with hard numbers and going forward from there. Now is the time to put two council members on the Committee.

Councilman Cray asked if the Town could do a combination of catastrophic insurance and self-insurance. The self-insurance would cover the smaller costs and the catastrophic would kick in

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for a major medical incident. Sharon Pinckard said that it was part of the Health Savings Reimbursement plan, and yes, the Committee would be happy to look at that.

Mayor Dyson asked if there were any Council volunteers to be on the Committee. Councilman Pete Hunt and Councilman Mark Baca volunteered to be on the Insurance Committee.

Mayor Dyson suggested that the Committee gather more information on Health Reimbursement Accounts, combined with Health Savings Accounts. She would also like to have more information on where the State of Arizona is going, make sure there are five different networks and that we will have coverage.

Sharon Pinckard stated that she had a letter from Betsy Bayless, director of the Office of Administration, saying that we are guaranteed coverage.

Mayor Dyson informed the Committee that she would like for them to see which plan would give the Town the most, for the money they are spending. She would also like to know how much the Health Reimbursement Account and Health Savings Account would save the Town. Erin Silva informed the Committee and Council that they should make a decision no later than August 30, 2004, so there will be time to do the paperwork and to be approved before October 1, 2004.

Thomas Tieman spoke to the Council as a representative of the employees. He stated that although he was the spokesman for the employees, he was speaking for himself. He wanted the Council to know that the employees understood that this is a give and take situation. He said he could not afford to take even a \$30 - \$40 pay cut. He also wanted to thank the Council for the benefits that the employees do have. They are greatly appreciated.

4. ADJOURNMENT: Motion by Pete Hunt/Mary Nedrow to adjourn the meeting.

Vote:	Ayes:	Kay Dyson
		Mary Nedrow
		Mark Baca
		Scott Cray
		Pete Hunt

The meeting adjourned at 7:43 P.M.

Kay Dyson, Mayor

ATTEST:

Town Clerk

I hereby certify that the foregoing is a true and correct copy of the minutes of the Springerville Town Council in regular session on Wednesday, June 9, 2004. I further certify that the meeting was duly called and a quorum was present.

Dated this 10th day of June 2004

Town Clerk